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Ad Hoc Working Group on Comparative
Experiences with Privatization
Fourth session
Geneva, 5 April 1994

DRAFT REPORT OF THE AD HOC WORKING GROUP ON COMPARATIVE EXPERIENCES WITH PRIVATIZATION ON ITS FOURTH SESSION

Held at the Palais des Nations, Geneva,
from 5 to 8 April 1994

Rapporteur: Mr. Herbert Dzvimbo (Zimbabwe)

AGENDA ITEMS 1, 2 AND 3

Note for Delegations

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments - to be submitted in English or French - should be communicated by Friday, 15 April 1994 at the latest to:

The UNCTAD Editorial Section
Room E.8102
Fax No. 907 0056
Tel. No. 907 5657 or 5655

INTRODUCTION

1. In accordance with the UNCTAD calendar of meetings, the fourth session of the Ad Hoc Working Group on Comparative Experiences with Privatization was held at the Palais des Nations, Geneva, from 5 to 8 April 1994.

Opening statements

2. The Deputy to the Secretary-General of UNCTAD and Director-in-charge of the Division on Transnational Corporations and Investment welcomed participants to the fourth and final session of the Ad Hoc Working Group. In looking back over the achievements of the 16 -months period since the Group had begun its very ambitious work programme, he considered that an impressive list of issues had been covered. These included: the role of the State, the objectives of privatization, the strategies and techniques of privatization, and such options as non-divestiture and divestiture, financial mechanisms, competition, privatization of infrastructure and social impacts and social-support measures. The current session would also address privatization of pension funds and environmental issues. The large number of country presentations transmitted to the Group was a clear indication of the strong interest shown by Governments in the work. The informal meetings had encouraged frank exchanges of experience, while panel-led discussions and the high-level of expertise which all participants brought to bear on the debates meant that many difficult questions could be tackled. This candid approach had made it possible to gain useful insights into a wide range of privatization experience reflecting a variety of country situations. The process had allowed wide consensus to develop and converging perceptions to emerge on what constituted viable measures. In the process, factors that were critical to the design and implementation of privatization programmes were identified.

3. While such complex issues could be summarized only at the risk of over-simplification, a few broad conclusions could be attempted. First, privatization was not an end in itself; it was simply a means to an end. Secondly, privatization was essentially a political process, as it involved changing the role of the State. Thirdly, privatization had to be carried out as an economic exercise in a proper macroeconomic and legal context conducive to the development of a sound private sector and assuring maximum benefits from the sale of ownership rights. A firm commitment to private sector development was necessary and in this connection a host of issues had to be addressed. Fourthly, no two privatization were alike. Fifthly, privatization required an efficient public sector, not to do what could be done better by the private sector or by the market but to do what they failed to do. Sixthly, privatization was a social process and social aspects had to be incorporated from the start. Finally, privatization implemented under favourable conditions could provide important benefits. There was evidence that it yielded efficiency gains in terms of better competition and lower prices.

4. The Ad Hoc Working Group had generate an impressive volume of useful documentation during its work. In addition to the 47 country presentations mentioned and the papers prepared by panellists, a cross-country review of national experiences, a directory of national focal points, an annotated bibliography on privatization and a compilation of the contributions of international organizations regarding privatization had been prepared by the UNCTAD secretariat. Extensive summaries of the in-depth discussion and exchanges conducted by the Ad Hoc Working Group had been written up by the secretariat. These appeared in the reports of the previous sessions. Indicative elements for consideration in formulating privatization programmes had also been identified in an attempt to provide broad guidelines and policy options. Drawn essentially from the discussions of the Ad Hoc Working Group, these elements would need to be adapted to the specificity of each country's situation. Lastly, notwithstanding the considerable amount of work carried out, there remained some areas which were relatively unexplored. For example, private sector involvement in infrastructure provision, privatization of the financial sector and the role of privatization in stimulating both foreign investment and mobilizing domestic resources might be examined as these issues had significance especially for developing countries and countries in transition. With respect to these countries, the Ad Hoc Working Group might wish to give consideration to the question of measure by the donor community in support of privatization, including areas where technical cooperation might be strengthened and where recommendations, as appropriate, could be made.

Chapter I

CONSIDERATION OF THE COUNTRY PRESENTATIONS IN THE LIGHT OF A CROSS-COUNTRY REVIEW BY THE SECRETARIAT OF THE DESIGN, IMPLEMENTATION AND RESULTS OF THE PRIVATIZATION PROGRAMME

(Agenda item 3)

5. For consideration of this item, the Ad Hoc Working Group had before it the following documentation:

"Design, implementation and results of privatization programmes: a cross-country review of national experiences", Report by the UNCTAD secretariat (TD/B/WG.3/7/Rev.2);

"Issues relating to (a) privatization and the environment and (b) the privatization of pension funds", Note by the UNCTAD secretariat (TD/B/WG.3/7/Rev.2/Add.1).

Country case studies by:

Colombia (TD/B/WG.3/Misc.5/Rev.1)

Germany (TD/B/WG.3/Misc.9/Adds.1 and 2)

Fiji (TD/B/WG.3/Misc.40)

"Presentations of national experiences with privatization" by China, Israel, Japan, Romania, Slovenia and the United Kingdom (TD/B/WG.3/Misc.41).

Country statement

6. The representative of Egypt stated that the primary goal of Egyptian national policy on the environment was to achieve sustainable development. This was being

pursued by: (a) establishing environmental standards and instruments of environmental regulation (law No. 4/94 had entered into force); (b) securing environmental quality adequate for the health and well-being of the population while conserving and using natural resources for the benefit of present and future generations; (c) raising public awareness and promoting understanding of the linkages between environment and development; (d) establishing guidelines and procedures for formulating environmental policies explicitly linked to early stages of the privatization process; and (e) cooperating in good faith with other countries to achieve optimal use of transboundary natural resources and prevent or abate environmental pollution. Since the beginning of the 1980s, the policy of Egypt had been aimed at protecting the environment in general. An inter-Ministerial environment unit had been established. In the early 1990s, radical improvements to the economic system were introduced, including a privatization programme in cooperation with the International Monetary Fund and the World Bank, aimed at improving the operation of existing public enterprises, introducing competition and opening the economy to the private sector. Law No. 203/1991 covered reorganization of public-sector entities. The environmental management of privatization was an important part of the privatization process and included the environmental record and liabilities of public enterprises.

7. At its 8th (opening) plenary meeting on 5 April 1994, the Ad Hoc Working Group decided to continue discussion of agenda item 3 in informal meetings.

Chapter II

ELABORATION OF BASIC ELEMENTS FOR CONSIDERATION IN FORMULATING PRIVATIZATION PROGRAMMES AND PLANS

(Agenda item 4)

8. For consideration of this item the Ad Hoc Working Group had before it the following documentation:

"Indicative elements for consideration) in formulating privatization programmes", Note by the UNCTAD secretariat (TD/B/WG.3/14).

9. At its 8th (opening) plenary meeting on 5 April 1994, the Ad Hoc Working Group decided to continue discussion of agenda item 4 in informal meetings.

[to be completed as appropriate]

Chapter III

ADOPTION OF THE FINAL REPORT OF THE GROUP TO THE TRADE AND DEVELOPMENT BOARD

(Agenda item 6)

10. For consideration of this agenda item, the Ad Hoc Working Group had before it the following documentation:

"Draft final report of the Ad Hoc Working Group on Comparative Experience with Privatization", text submitted by the Chairman of the Ad Hoc Working Group (TD/B/WG.3/L.7).

[to be completed]

Chapter IV

OTHER BUSINESS

(Agenda item 5)

[to be completed, as appropriate]

Chapter V

ORGANIZATIONAL MATTERS

A. Opening of the session

11. The fourth session of the Ad Hoc Working Group was opened on 5 April 1994 by the Chairman, Mr. Bror Wahlroos (Finland).

B. Election of officers

(Agenda item 1)

12. There being no change in the Bureau which served at the third session, the bureau of the Ad Hoc Working Group at its fourth session was as follows:

Chairman:	Mr. Bror Wahlroos	(Finland)
Vice-Chairmen:	Ms. Taos Feroukhi	(Algeria)
	Ms. Carmen Silva	(Colombia)
	Mr. Thomas Janicki	(Germany)
	Ms. Urszula Calka-Jendroszczyk	(Poland)
	Ms. Prapada Saranusit	(Thailand)
Rapporteur:	Mr. Herbert Dzvimbo	(Zimbabwe)

C. Adoption of the agenda and organization of work

(Agenda item 2)

13. At its 8th (opening) meeting, on 5 April 1994, the Working Group adopted the provisional agenda for the fourth session as approved by the Group at its third session and circulated by the secretariat in TD/B/WG.3/12 and Add.1). The agenda for the fourth session therefore reads as follows:

1. Election of officers

2. Adoption of the agenda and organization of work

3. Consideration of the country presentations in the light of a cross-country review by the secretariat of the design, implementation and results of the privatization programmes [1]

4. Elaboration of basic elements for consideration in formulating privatization programmes and plans

5. Other business

6. Adoption of the report of the Ad Hoc Working Group to the Board.

D. Adoption of the report of the fourth session to the Board

[to be completed]

[1] It is understood that this review will also treat the issue of the privatization of pension funds.